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BUDGET

Asset, debt and financial risk management
Borrowing and Lending Operations

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SURE
Quarterly Report
Q4/2020

**NOTE FOR THE MEMBER STATES ON THE OUTSTANDING CLAIMS UNDER LOAN
AGREEMENTS AND LIABILITIES UNDER BORROWINGS**

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1. INTRODUCTION

The objective of this service note is to monitor on a quarterly basis the activity of the European instrument for temporary support to mitigate unemployment risks in an emergency (SURE).

Council Regulation (EU) 2020/672¹ provides that the Member States of the European Union (together called the “Guarantors”) may contribute to SURE by counter-guaranteeing the risk borne by the Union and that such contributions shall be provided in the form of irrevocable, unconditional and ondemand guarantees. Article 11(3) of Council Regulation (EU) 2020/672 provides that the Commission is to conclude an agreement with a contributing Member State on the irrevocable, unconditional and on-demand guarantee, and that such agreement is to set out the payment conditions (a “Guarantee Agreement”).

Point 3.2 of these Guarantee Agreements mentions that “The Commission shall report to the Guarantors on the outstanding claims under Loan Agreements and liabilities under Borrowings on a quarterly basis”.

2. EUROPEAN INSTRUMENT FOR TEMPORARY SUPPORT TO MITIGATE UNEMPLOYMENT RISKS IN AN EMERGENCY (SURE)

2.1 Description of the Programme

In the context of the Covid-19 crisis, the Council adopted on 19 May 2020 the SURE regulation (“Support to mitigate Unemployment Risks in an Emergency”).

The financial instrument is available for Member States that need to mobilise significant financial means to fight the negative economic and social consequences of the Covid-19 outbreak on their territory. It can provide financial assistance up to EUR 100 billion in the form of loans from the EU to affected Member States to address sudden increases in public expenditure for the preservation of employment.

Up until end-2020, the Council has already approved EUR 90.3 billion in loans to 18 Member States with a maximum average maturity of 15 years. Further loan amounts can be allocated up to the maximum ceiling of EUR 100 billion.

¹ Council Regulation (EU) 2020/672 of 19 May 2020 on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak (OJ

2.2 Description of borrowing operations Q4/2020

The total issued amounts in Q4/2020 have been EUR 39.5 billion with maturities of 5, 10, 15, 20 and 30 years:

1. Debut SURE dual tranche transaction executed successfully on the 20/10/2020 for a total of EUR 17 billion of inaugural social bond. The issuance consists of two bonds, with EUR 10 billion due for repayment in October 2030 and EUR 7 billion due for repayment in 2040. There was very strong investor interest in this highly rated instrument, and the bonds were more than 13 times oversubscribed, resulting in favourable pricing terms for both bonds.
2. Second SURE dual tranche transaction was executed successfully on 10/11/2020 for a total amount of EUR 14 billion social bond split over two distinct tenors: EUR 8bn due in November 2025 and EUR 6bn due in November 2050. The deal has received an overwhelming response in the capital markets and represents one of the largest supranational transaction ever launched.
3. Third SURE single tranche transaction executed successfully on 24/11/2020 for a total amount of a EUR 8.5 billion social bond due in July 2035. The 15-year social bond was extremely well received in the capital markets, having amassed the largest-ever order book for any single tranche benchmark issuance, and printing the largest 15-year deal size in the Sovereigns, Supranationals and Agencies (SSA) space to date.

Figure 1. SURE – Key Statistics of the Borrowing transactions (in EUR)

	SURE #1		SURE #2		SURE #3
Tranche	10 year	20 year	5 year	30 year	15 year
Size of bond	10 billion	7 billion	8 billion	6 billion	8.5 billion
Yield	-0.238%	0.131%	-0.509%	0.317%	-0.102%
Spread	MS+3 bps	MS+14 bps	MS-9 bps	MS+21 bps	MS-5bps
New Issue Concession	+1 bp	+2 bps	+1.5 bps	+2.5 bps	+1 bp
Total investor demand	145 bn	88 bn	105 bn	70 bn	114 bn

Based on the above-mentioned issuance transactions, the following disbursements were made:

Figure 2. Overview of the SURE programme and SURE transactions in Q4/2020 (EUR billion)

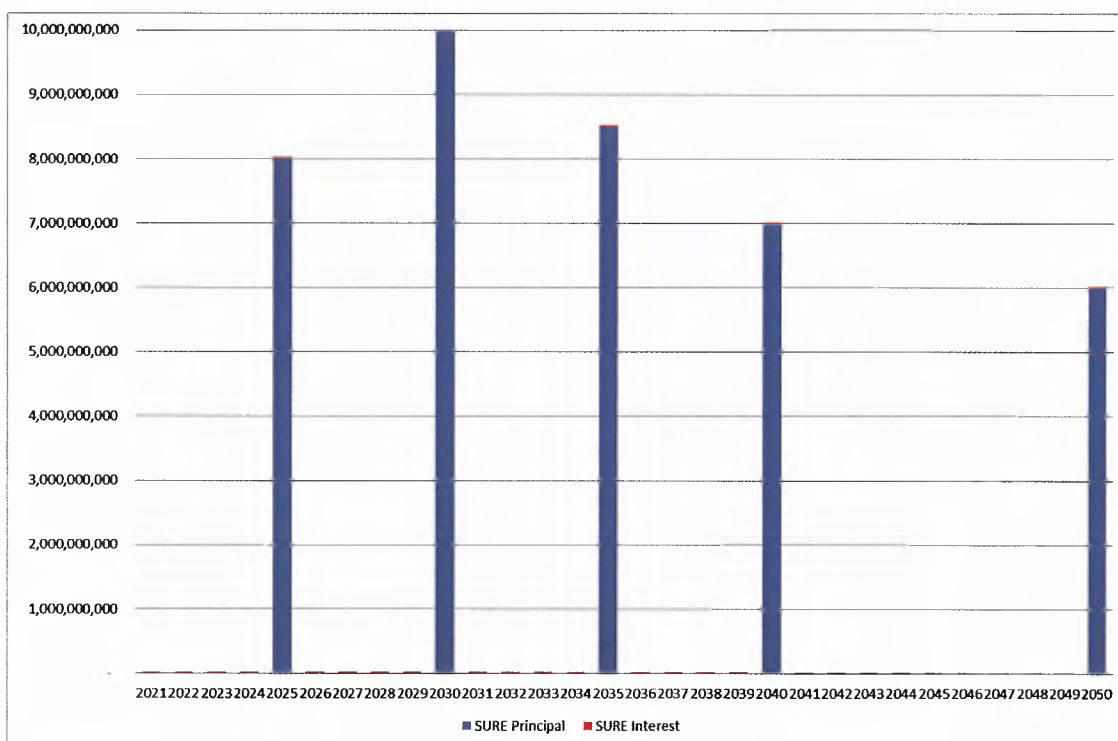
Country	Initial loan amount (rounded down)	1st EU SURE Issuance Transaction: 20.10.2020 Disbursement: 27.10.2020			2nd EU SURE Issuance Transaction: 10.11.2020 Disbursement: 17.11.2020			3rd EU SURE Issuance Transaction: 24.11.2020 Disbursement: 01.12.2020		Total SURE Q4/2020	% of total requested	Avg. maturity at 31.12.2020
		10 yr	20 yr	Total	5 yr	30 yr	Total	15 yr				
Belgium	7.803							2.00	2.00	25.4%	14.6	
Bulgaria	0.511											
Cyprus	0.479				0.15	0.10	0.25		0.25	52.2%	15.0	
Greece	2.728				1.00	1.00	2.00		2.00	73.3%	17.5	
Spain	21.324	3.50	2.50	6.00	2.85	1.15	4.00		10.00	46.9%	13.3	
Croatia	1.020				0.34	0.17	0.51		0.51	50.0%	13.3	
Hungary	0.504							0.20	0.20	39.7%	14.6	
Ireland	2.5											
Italy	27.438	5.50	4.50	10.00	3.10	3.40	6.50		16.50	60.1%	15.9	
Lithuania	0.602				0.20	0.10	0.30		0.30	49.8%	13.3	
Latvia	0.192				0.08	0.04	0.12		0.12	62.5%	13.3	
Malta	0.243				0.08	0.04	0.12		0.12	49.4%	13.3	
Poland	11.236	1.00		1.00					1.00	8.9%	9.9	
Portugal	5.934							3.00	3.00	50.6%	14.6	
Romania	4.099							3.00	3.00	73.2%	14.6	
Slovenia	1.113				0.20		0.20		0.20	18.0%	5.0	
Slovakia	0.630							0.30	0.30	47.6%	14.6	
Czechia	2.0*											
Total	90.3	10.00	7.00	17.00	8.00	6.00	14.00	8.50	39.50	43.7%	14.7	

* The loan agreement with Czech Republic has not yet been signed.

2.3 Debt profile under SURE

Figure 3. Yearly repayment schedule of outstanding loans under SURE (principal + interest) at 31.12.2020

Calendar year	SURE		SURE Total
	Principal	Interest	
2021		23 920 000	23 920 000
2022		25 000 000	25 000 000
2023		25 000 000	25 000 000
2024		25 000 000	25 000 000
2025	8 000 000 000	25 000 000	8 025 000 000
2026		25 000 000	25 000 000
2027		25 000 000	25 000 000
2028		25 000 000	25 000 000
2029		25 000 000	25 000 000
2030	10 000 000 000	25 000 000	10 025 000 000
2031		25 000 000	25 000 000
2032		25 000 000	25 000 000
2033		25 000 000	25 000 000
2034		25 000 000	25 000 000
2035	8 500 000 000	25 000 000	8 525 000 000
2036		25 000 000	25 000 000
2037		25 000 000	25 000 000
2038		25 000 000	25 000 000
2039		25 000 000	25 000 000
2040	7 000 000 000	25 000 000	7 025 000 000
2041		18 000 000	18 000 000
2042		18 000 000	18 000 000
2043		18 000 000	18 000 000
2044		18 000 000	18 000 000
2045		18 000 000	18 000 000
2046		18 000 000	18 000 000
2047		18 000 000	18 000 000
2048		18 000 000	18 000 000
2049		18 000 000	18 000 000
2050	6 000 000 000	18 000 000	6 018 000 000
Grand Total	39 500 000 000	678 920 000	40 178 920 000



ANNEX

SURE - Liabilities under Borrowings by Member State (EUR)

Given that the volume of outstanding loans under SURE exceeds the guaranteed volume of EUR 25 billion, Member States risk exposure under the guarantee agreement equals their full committed amounts:

Member State	Liabilities under Borrowings by Member State
Kingdom of Belgium	838 224 250
Republic of Bulgaria	107 466 500
Czech Republic	374 538 500
Kingdom of Denmark	563 837 750
Federal Republic of Germany	6 383 820 000
Republic of Estonia	48 716 500
Ireland	483 401 250
Hellenic Republic	342 618 750
Kingdom of Spain	2 252 890 750
French Republic	4 406 976 250
Republic of Croatia	95 693 500
Italian Republic	3 183 786 000
Republic of Cyprus	38 114 750
Republic of Latvia	57 070 750
Republic of Lithuania	83 953 500
Grand Duchy of Luxembourg	76 856 750
Hungary	249 596 000
Republic of Malta	23 044 250
Kingdom of the Netherlands	1 441 199 500
Republic of Austria	717 215 750
Republic of Poland	930 103 250
Portuguese Republic	365 571 000
Romania	393 384 250
Republic of Slovenia	88 126 500
Slovak Republic	173 516 250
Republic of Finland	431 740 250
Kingdom of Sweden	848 537 250
	25 000 000 000